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India

Cotton and Products Update

Post forecasts 2016/17 cotton production at 26.5 million 480 lb. bales on 11 million hectares.

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Report Highlights:

Post forecasts India's 2016/17 cotton production at 26.5 million 480 lb. bales on 11 million hectares. Yields prospects are better than a year ago owing to good monsoon rains across the country. Indian cotton prices remain higher than global prices thus prompting mills to import for short-term needs.

Post:
New Delhi

Executive Summary:

Cotton Market Begin Year	2014/2015		2015/2016		2016/2017	
	Aug 2014		Aug 2015		Aug 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Planted	-	-	-	-	-	-
Area Harvested	12,850	12,846	11,900	11,900	11,000	11,000
Beginning Stocks	11,459	11,459	13,486	14,479	10,861	11,930
Production	29,500	30,139	26,400	26,391	27,000	26,500
Imports	1,226	1,226	1,025	1,060	1,000	1,000
MY Imports from U.S.	-	-	-	-	-	-
Total Supply	42,185	42,824	40,911	41,930	38,861	39,430
Exports	4,199	4,199	5,800	5,800	4,200	4,200
Use	24,500	24,146	24,250	24,200	24,000	24,000
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,500	24,146	24,250	24,200	24,000	24,000
Ending Stocks	13,486	14,479	10,861	11,930	10,661	11,230
Total Distribution	42,185	42,824	40,911	41,930	38,861	39,430
(1000 HA) ,1000 480 lb. Bales						

Planted Area, Yields, and Production

FAS Mumbai forecasts MY 2016/17 area at 11.0 million hectares which is equal to the USDA official forecast. While major cotton growing states like Madhya Pradesh and Maharashtra have witnessed an acreage increase from last year, the states of Gujarat and Telangana have reported lower cotton planted area (see Table 1). The area in state of Telangana has been lowered as farmers have opted to plant more area in pulses, maize and paddy.

Higher input costs and better price realization for competing crops has prompted farmers to move away from cotton and pushed acreage downward from a year ago. Despite a generally good monsoon, below normal rains in some cotton-specific growing areas is expected to lead to yields that are lower than the USDA official forecast. As such, the Post production forecast for MY 2016/17 is lowered to 26.5 million 480 lb. bales (34 million 170 kg bales/5.77 mmt).

Note: all India yields are forecast at 525 kg/hectare.

Crop Conditions

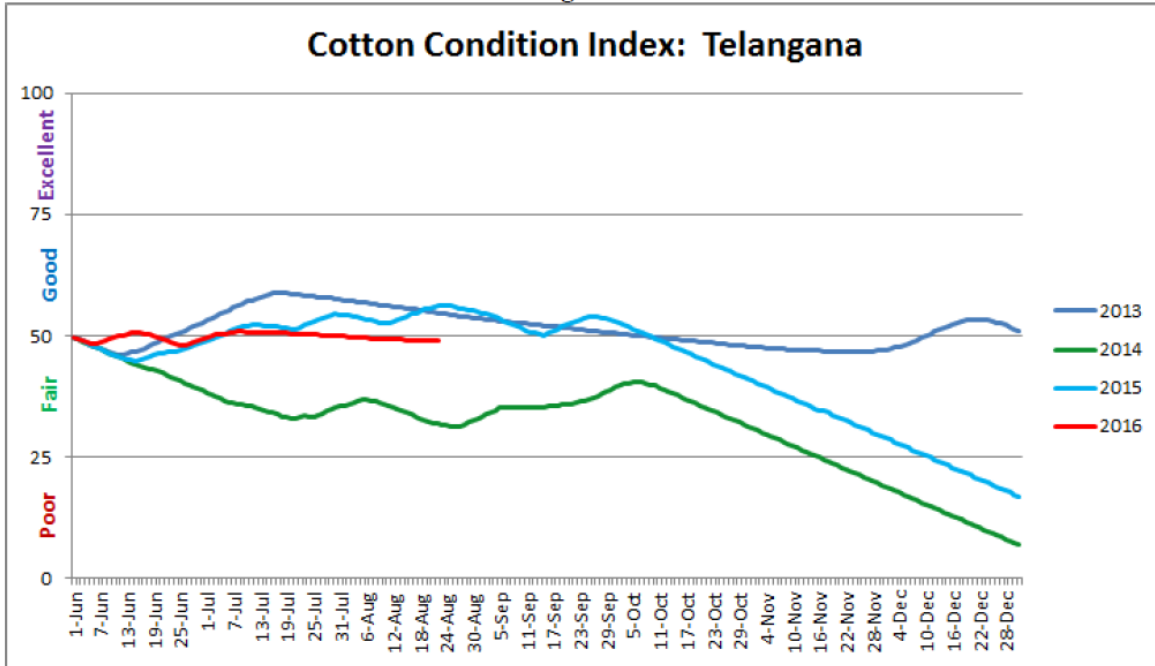
According to the Ministry of Agriculture and Farmer's Welfare, the cotton crop in eastern and central Maharashtra is in the square initiation/flowering phase. Too, farmers have undertaken weeding operations as well as plant protection measures (i.e., spraying to protect against sucking pests). Weeding operations are underway in Gujarat and there are no major pest or disease incidences noticed. In Northern Karnataka, the crop is in its vegetative growth stage and enjoying favorable weather though moisture conservation measures are underway as local reservoirs have not received adequate rains.

Table 1: India. Kharif 2016 - Cotton Sowing Acreage (in million hectares)

State	2015/16 as on August 19, 2015	2016/17 as on August 19, 2016	Difference
Andhra Pradesh	0.449	0.375	-16%
Gujarat	2.679	2.313	-14%
Haryana	0.581	0.498	-14%
Karnataka	0.440	0.428	-3%
Madhya Pradesh	0.546	0.599	10%
Maharashtra	3.756	3.900	4%
Odisha	0.125	0.126	1%
Others	-	-	-
Punjab	0.440	0.256	-42%
Rajasthan	0.349	0.386	11%
Tamil Nadu	0.004	0.006	50%
Telangana	1.633	1.250	-23%
Uttar Pradesh	0.021	0.017	-19%
All India	11.023	10.154	-8%

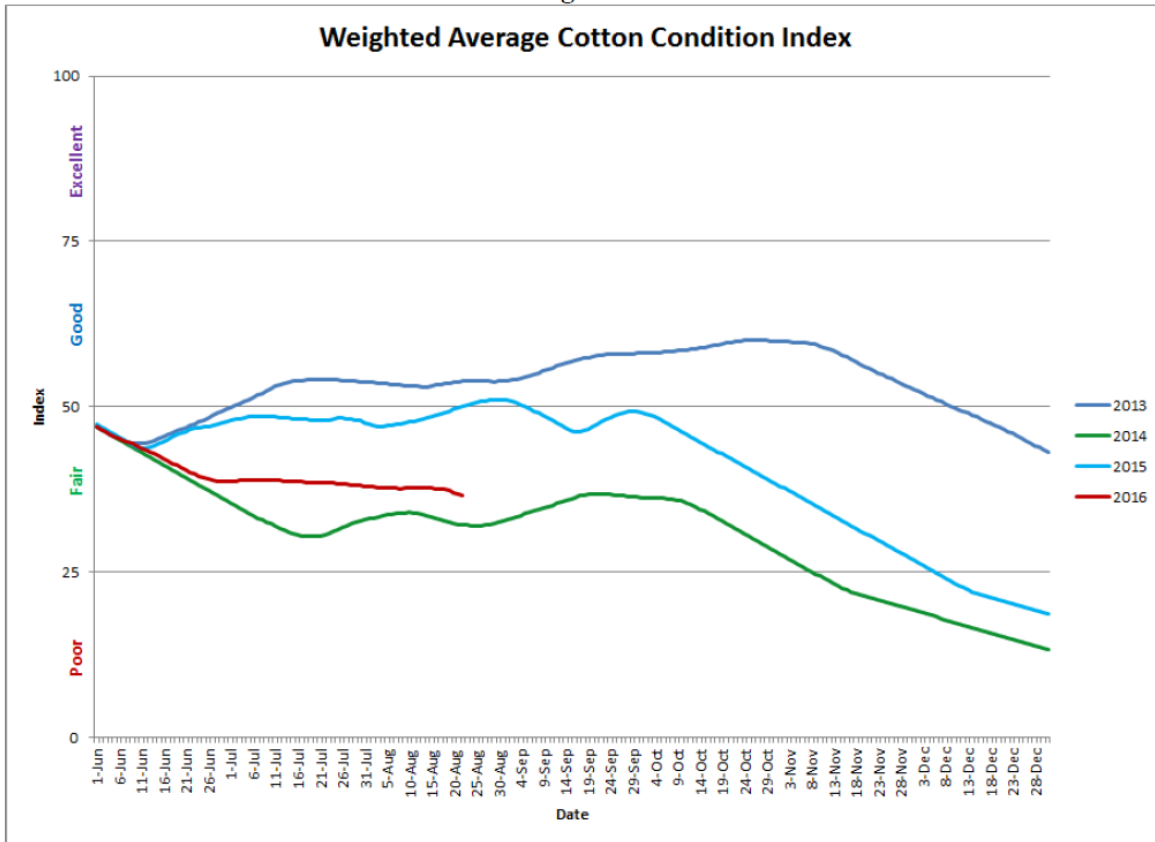
Source: Ministry of Agriculture, Government of India

Figure 1



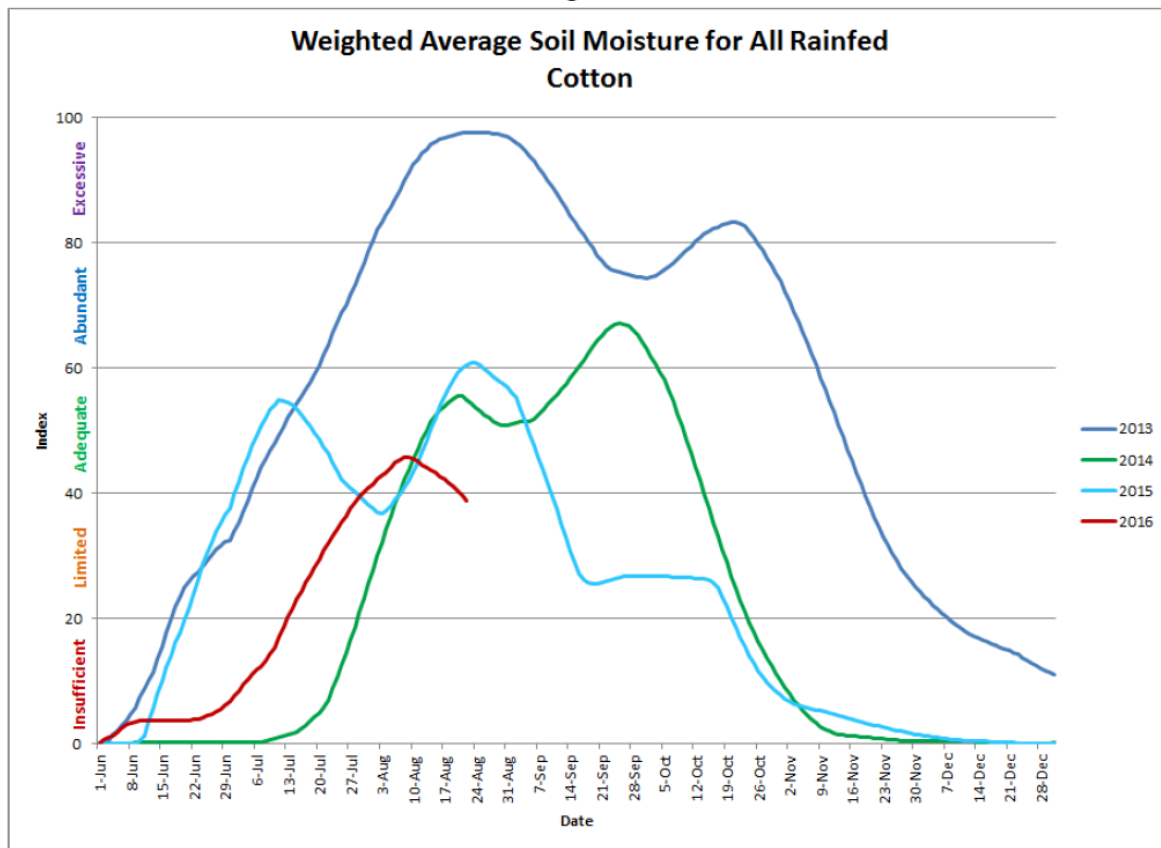
Source: USDA/World Agricultural Outlook Board (WAOB)

Figure 2



Source: USDA/World Agricultural Outlook Board (WAOB)

Figure 3



Source: USDA/World Agricultural Outlook Board (WAOB)

Consumption

FAS Mumbai forecasts MY 2016/17 consumption equal to the USDA official forecast at 24 million 480 lb. bales. Recent Post interactions with mills in southern India indicates that cotton consumption is expected to remain relatively flat as mills focus on manufacturing blended yarns and fabrics with a higher percentage of man-made fiber to offset cotton price volatility. Mills are reporting a preference for imported cotton; mostly, from Australia and United States due to lower contamination/trash content.

Another concern highlighted by the mills remains the [duty drawback](#) on imported fabrics for domestic duty paid inputs for the export of value-added goods. While the scheme is designed to support value addition in all fibers and Indian textile exports, mills are concerned that cheaper imported fabrics; especially, cotton, will get dumped in the domestic market and affect local raw cotton and cotton yarn uptake. However, prevailing domestic prices are supporting fabric imports, but as arrivals pick up in the season and prices stabilize, mills may again raise the issue.

Indian ex-gin prices continue to be much higher than Cotlook A Index price and gins are feeling the impact in their profitability. As a result mills are maintaining minimal stocks and buy as needed. According to data from the Office of the Textile Commissioner, mill cotton stocks (see Table 5) reported in June 2016 was 3.6 million 480 l. bales (4.7 million 170 kg bales/800,000 mt). These stock levels are the second highest in the past five years. Cotton yarn stocks are similar to last year and this suggests that mills are maintaining a limited inventory as yarn and fabric exports slow down.

Post's MY 2015 consumption estimates have been revised to reflect the most current consumption data from the Office of the Textile Commissioner.

Trade

FAS Mumbai forecasts MY 2016/17 exports at 4.2 million 480 lb. bales (5.37 million 170 kg bales/ 914,000 mt). As of August 21, 2016, Bangladesh accounted for 94 percent of all recorded August export shipments and there were no recorded shipments to China. Major exports shipments were overland from Gujarat to Bangladesh. Export shipments have fallen sharply as Indian cotton prices remain higher than international prices.

For MY 2015, exports are estimated unchanged from the USDA official estimate of 5.8 million 480 lb. bales (7.42 million 170 kg bales/ 1.26 mmt) based on trade data.

The FAS Mumbai MY 2016/17 import forecast is 1 million 480 lb. bales (1.2 million 170 kg bales/ 218,000 mt). This is unchanged from the USDA official forecast. Seventy percent of the import arrivals during the August 1 to 21 period landed in Tuticorin (southeastern India). Import origins included cotton from West Africa followed by Australia and America. Imports are expected to slow down once new crop arrivals begin in mid-October.

In MY 2015, imports are forecast at 1.06 million 480 lb. bales (1.35 million 170 kg bales/ 230,000 mt) based on trade data (refer table 3).

Table 2a. India: Estimate of 2014/15 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	99,671	16,944	77,824
September Exports 1\	128,129	21,782	100,044
October Exports 1\	185,618	31,555	144,931
November Exports 1\	733,559	124,705	572,766
December Exports 1\	1,013,571	172,307	791,400
January Exports 1\	670,765	114,030	523,736
February Exports 1\	672,494	114,324	525,086
March Exports 1\	758,306	128,912	592,088
April Exports 1\	382,882	65,090	298,956
May Exports 1\	235,553	40,044	183,921
June Exports 1\	208,412	35,430	162,729
July Exports 1\	288,318	49,014	225,120
Total Aug-Jul	5,378,276	914,137	4,198,599

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 2b. India: Estimate of 2015/16 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	277,253	47,133	216,480
September Exports 1\	345,118	58,670	269,469
October Exports 1\	445,082	75,664	347,522
November Exports 1\	1,301,412	221,240	1,016,147
December Exports 1\	1,773,165	301,438	1,384,494
January Exports 1\	986,776	167,752	770,478
February Exports 1\	815,424	138,622	636,686
March Exports 1\	564,876	96,029	441,057
April Exports 1\	330,047	56,108	257,702
May Exports 1\	283,765	48,240	221,565
June Estimated Exports 2\	162,000	27,540	126,490
July Estimated Exports 2\	82,000	13,940	64,026
Preliminary Total Aug-Jul	7,366,918	1,252,376	5,752,118

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Mumbai estimate

Table 2c. India: Estimate of 2016/17 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Estimated Exports 2\	70,000	11,900	54,656
Preliminary Total	70,000	11,900	54,656

2\ FAS Mumbai estimate

Table 3a. India: Estimate of 2014/15 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	161,735	27,495	126,284
September Imports 1\	329,041	55,937	256,917
October Imports 1\	197,712	33,611	154,374
November Imports 1\	125,018	21,253	97,614
December Imports 1\	50,094	8,516	39,114
January Imports 1\	52,071	8,852	40,657
February Imports 1\	72,382	12,305	56,516
March Imports 1\	73,094	12,426	57,072
April Imports 1\	81,824	13,910	63,888
May Imports 1\	98,547	16,753	76,946
June Imports 1\	121,929	20,728	95,203
July Imports 1\	207,035	35,196	161,654
Total Aug-Jul	1,570,482	266,982	1,226,239

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 3b. India: Estimate of 2015/16 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	177,141	30,114	138,312
September Imports 1\	182,641	31,049	142,607
October Imports 1\	99,800	16,966	77,924
November Imports 1\	52,259	8,884	40,804
December Imports 1\	46,912	7,975	36,629
January Imports 1\	41,988	7,138	32,784
February Imports 1\	45,129	7,672	35,237
March Imports 1\	97,265	16,535	75,945
April Imports 1\	140,047	23,808	109,349
May Imports 1\	126,988	21,588	99,153
June Estimated Imports 2\	150,000	25,500	117,121
July Estimated Imports 2\	200,000	34,000	156,161
Preliminary Total Aug-Jul	1,360,170	231,229	1,062,026

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Mumbai estimate

Table 3c. India: Estimate of 2016/17 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 2\	240,282	40,848	187,613
Preliminary Total	240,282	40,848	187,613

2\ FAS Mumbai estimate

Table 4. India: Monthly Cotton Consumption by the Textile Sector (Million 170 kg bales)

Month	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Aug	2.173	1.864	2.207	2.423	2.446	2.586
Sep	2.143	2.170	2.146	2.370	2.581	2.458
Oct	2.209	1.776	2.185	2.403	2.416	2.470
Nov	2.110	1.834	2.109	2.296	2.504	2.334
Dec	2.257	2.013	2.264	2.516	2.589	2.548
Jan	2.210	2.033	2.330	2.519	2.577	2.524
Feb	2.023	2.030	2.224	2.323	2.458	2.463
Mar	2.176	2.038	2.361	2.507	2.618	2.560
Apr	2.017	2.031	2.322	2.431	2.557	2.499
May	1.864	2.128	2.285	2.439	2.562	2.534
Jun	1.823	2.117	2.251	2.410	2.561	2.512
Jul	1.900	2.213	2.411	2.454	2.556	
Loss*	1.338	0.500	0.783	0.632	0.500	1.000
Total	26.243	24.747	27.878	29.723	30.925	

*Loss estimate from the Cotton Advisory Board

Source: Textile Commissioner, Ministry of Textiles, Government of India

Table 5. India: Monthly Cotton Stocks held by the Textile Sector (Million 170 kg bales)

Month	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Aug	4.284	2.973	3.463	3.613	3.500	3.536
Sep	3.281	2.388	2.957	2.909	3.049	2.959
Oct	2.635	2.091	2.619	2.503	2.750	2.841
Nov	2.743	1.902	2.981	2.582	3.867	3.676
Dec	3.527	2.413	3.784	3.448	4.053	4.476
Jan	5.202	3.101	4.716	4.359	4.601	5.057
Feb	5.878	3.832	5.293	4.839	5.197	5.748
Mar	6.165	4.204	5.629	5.398	5.336	5.979
Apr	5.791	4.707	5.776	5.531	5.325	5.680
May	5.230	4.781	5.013	5.430	4.986	5.153
Jun	4.447	4.502	4.481	4.880	4.674	4.758
Jul	3.792	4.044	4.204	4.206	3.961	

Source: Textile Commissioner, Ministry of Textiles, Government of India

Table 6. India: Monthly Cotton Yarn Stocks (Million Kilograms)

Month	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Aug	106.77	187.92	103.26	120.07	166.64	166.34
Sep	107.56	131.92	121.86	132.87	167.53	165.96
Oct	105.59	146.50	122.84	132.74	178.62	170.07
Nov	110.18	128.73	126.13	136.35	171.13	173.96
Dec	117.10	114.50	116.75	132.43	160.58	158.66
Jan	145.18	106.50	118.54	117.38	161.61	158.52
Feb	181.53	112.79	108.55	128.59	149.92	155.36
Mar	186.43	110.87	107.92	133.80	140.60	140.68
Apr	207.81	108.37	121.99	142.80	140.82	128.29
May	231.98	113.31	123.79	139.60	153.07	130.78
Jun	232.99	105.42	117.62	151.05	158.57	128.46
Jul	221.59	95.25	116.52	160.20	160.33	

Source: Textile Commissioner, Ministry of Textiles, Government of India

Table 7. India: Monthly Cotton Yarn Exports (Thousand Metric Tons)

Month/Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Aug	46	63	58	93	113	94	117
Sep	46	57	100	65	108	98	112
Oct	56	57	48	76	119	101	106
Nov	49	77	58	87	106	125	105
Dec	55	79	66	108	113	125	115
Jan	53	31	75	99	131	113	104
Feb	62	2	63	102	108	119	100
Mar	73	68	66	107	117	122	130
Apr	72	51	88	80	94	104	105
May	65	47	94	95	93	99	94
Jun	60	50	78	103	76	103	-
Jul	60	62	107	111	87	118	-
Total	696	646	900	1,126	1,266	1,321	1,088

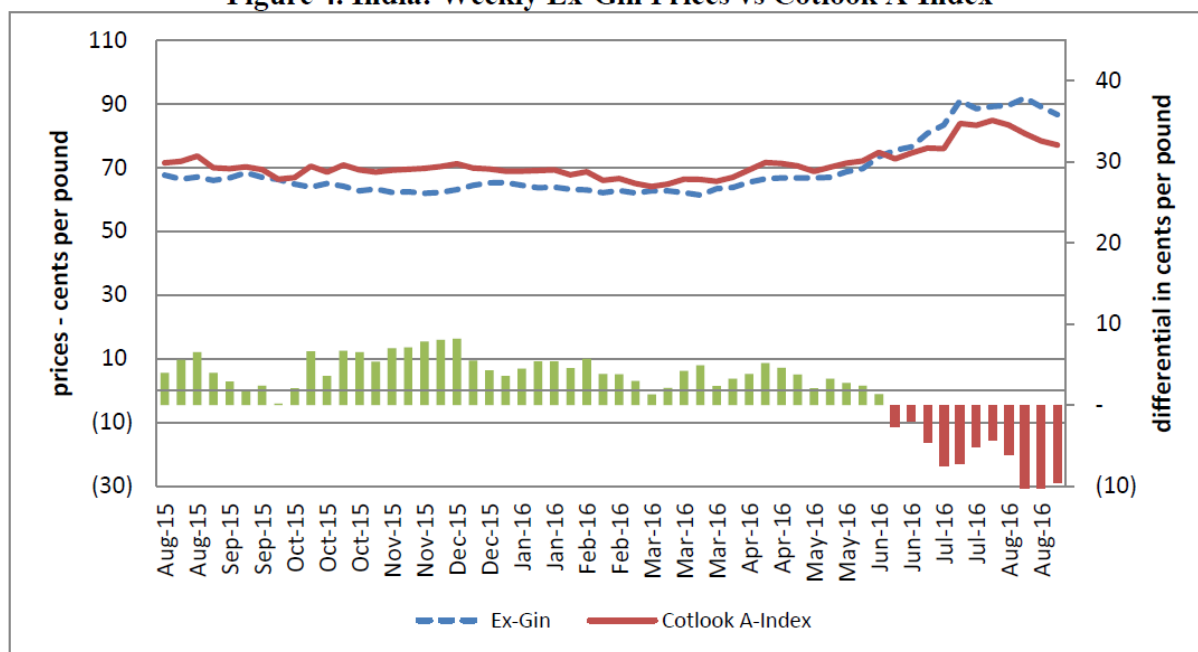
Source: Directorate General of Foreign Trade, Ministry of Commerce, Government of India

Table 8. India: Monthly Cotton Fabric Exports (Thousand Square meters)

Month/Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Aug	48,805	160,275	69,847	77,093	78,909	92,491	101,473
Sep	45,256	54,091	78,881	72,827	101,017	98,636	103,974
Oct	46,080	58,393	57,317	70,553	101,327	108,182	117,801
Nov	41,361	44,896	59,584	66,084	85,899	103,471	95,082
Dec	46,324	58,806	84,697	75,412	100,343	105,335	120,598
Jan	51,374	69,052	79,762	74,008	91,174	93,192	116,289
Feb	47,950	70,709	80,219	65,141	87,377	96,586	106,572
Mar	51,344	61,286	80,233	75,329	98,696	105,169	121,080
Apr	41,967	74,807	69,011	65,683	87,770	86,833	108,957
May	44,634	68,259	72,021	65,469	81,552	103,443	102,051
Jun	45,597	65,899	83,716	67,760	94,575	103,909	-
Jul	53,521	82,835	68,767	78,547	87,265	97,115	-
Total	564,213	869,309	884,055	853,906	1,095,904	1,194,361	1,093,877

Source: Directorate General of Foreign Trade, Ministry of Commerce, Government of India

Figure 4. India: Weekly Ex-Gin Prices vs Cotlook A-Index



Source: Cotton Association of India
Cotlook A-Index